

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRODUCTS PRICE CHANGES
RATES OF GENERAL APPLICABILITY

Docket No. CP2017-20

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1 QUESTION 5**
(October 28, 2016)

The United States Postal Service (Postal Service) hereby provides its response to Question 5 of Chairman's Information Request No. 1, which was issued on October 24, 2016. Responses were due by October 28, 2016. The question is reprinted verbatim and is followed by the Postal Service's response. Because portions of the Postal Service's response include non-public information, the Postal Service has filed the response under seal and included a redacted version in this filing. In addition to the reasons provided in the Application for Non-Public Treatment included with the Postal Service's initial filing in this docket,¹ the Postal Service provides in an attachment a supplemental justification for non-public treatment of portions of the Postal Service's response, in accordance with 39 C.F.R. § 3007.21.

¹ Notice of the United States Postal Service of Changes in Rates of General Applicability for Competitive Products Established in Governors' Decision, Docket No. CP2017-20, October 19, 2016, Application for Non-Public Treatment, at 133-139.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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Attachment: Supplemental Application for Nonpublic Treatment

(1) The rationale for claiming that the materials are non-public, including the specific statutory basis for the claim, and a statement justifying application of the provision(s);

See the rationale provided in the Application of the United States Postal Service for Non-Public Treatment of Materials included with the Postal Service's initial filing in this docket.²

(2) Identification, including name, phone number, and e-mail address for any third party who is known to have a proprietary interest in the materials, or if such an identification is sensitive, contact information for a Postal Service employee who shall provide notice to that third party;

See the information provided in the Application of the United States Postal Service for Non-Public Treatment of Materials included with the Postal Service's initial filing in this docket.³

(3) A description of the materials claimed to be non-public in a manner that, without revealing the materials at issue, would allow a person to thoroughly evaluate the basis for the claim that they are non-public;

The Postal Service maintains that the redacted portions of the response to Chairman's Information Request No. 1, Question 5 should remain confidential. The redactions protect information about the specific destinations and weight steps to be included in a proposed discount, and certain factors to be taken into account when the Postal Service determines whether to apply the discount. Such information would not be publicly disclosed under good business practice.

² Notice of the United States Postal Service of Changes in Rates of General Applicability for Competitive Products Established in Governors' Decision, Docket No. CP2017-20, October 19, 2016. Application for Non-Public Treatment, at 133-139.

³ *Id.*

(4) Particular identification of the nature and extent of commercial harm alleged and the likelihood of such harm;

If such information were to be disclosed publicly, the Postal Service considers that it is quite likely that the Postal Service would suffer commercial harm. The redactions cover specific information about the destinations and weight steps to be included in a proposed discount, as well as service and delivery costs related to Priority Mail International (PMI) and Priority Mail Express International (PMEI). This information is commercially sensitive, and the Postal Service does not believe that it would be disclosed under good business practice. Competitors could use the information to assess offers made by the Postal Service to its customers for any possible comparative vulnerabilities and focus sales and marketing efforts on those areas, to the detriment of the Postal Service. In addition, potential customers could use the information to their advantage in negotiations with the Postal Service. The Postal Service considers these to be highly probable outcomes that would result from public disclosure of the redacted material.

(5) At least one specific hypothetical, illustrative example of each alleged harm;

Identified harm: Public disclosure of the redacted information in the response to Chairman's Information Request No. 1, Question 5 would be used by competitors and customers to the detriment of the Postal Service.

Hypothetical: A competing expedited package delivery service obtains a copy of the unredacted version of the response to Chairman's Information Request No. 1, Question 5. It analyzes the response to determine the specific destinations and weight steps to be included in a proposed discount, as well as service and delivery costs related to PMI

and PMEI. The competing expedited package delivery service then revises offerings of its own products in a similar way and markets its ability to guarantee to beat the Postal Service on price for certain specific destinations and weight steps. By sustaining this below-market strategy for a relatively short period of time, the competitor, or all of the Postal Service's competitors acting in a likewise fashion, could potentially freeze the Postal Service out of certain expedited delivery services markets.

(6) The extent of protection from public disclosure deemed to be necessary;

See the description provided in the Application of the United States Postal Service for Non-Public Treatment of Materials included with the Postal Service's initial filing in this docket.⁴

(7) The length of time deemed necessary for the non-public materials to be protected from public disclosure with justification thereof; and

The Commission's regulations provide that non-public materials shall lose nonpublic status ten years after the date of filing with the Commission, unless the Commission or its authorized representative enters an order extending the duration of that status. 39 C.F.R. § 3007.30.

The information concerning the country destinations to be included in the proposed discount is nonpublic, until such time as the rates are actually implemented, as it will then be evident to the public which country destinations are eligible for the upgrade.

(8) Any other factors or reasons relevant to support the application.

None.

⁴ *Id.*

Conclusion

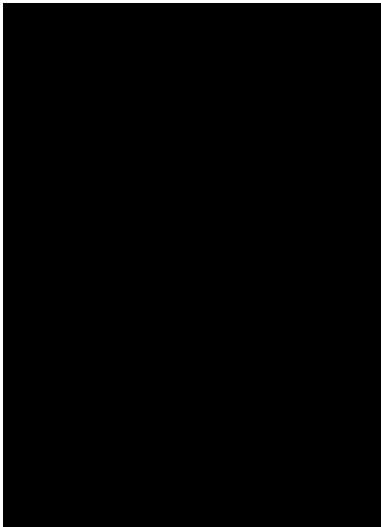
For the reasons discussed, the Postal Service asks that the Commission grant its application for non-public treatment of the redacted portions of the response to Chairman's Information Request No. 1, Question 5.

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5. Please refer to Governors' Decision No. 16-7 at 4, and Attachment, Part B, containing the draft text of the MCS at section 2305.6. Governors' Decision No. 16-7 states that "[w]eight-rated items tendered at retail counters may be offered at prices equivalent to Priority Mail International (PMI) for certain destinations and weight steps, if all [Priority Mail Express International (PMEI)] eligibility requirements are met and the Postal Service determines that service can be improved and/or the PMEI destination country delivery costs are lower than PMI destination country delivery costs."
- a. Please explain which destinations and which weight steps are included in this proposed discount.
 - b. Please provide an explanation that discusses the requirements or the factors taken into account when the Postal Service determines whether to apply this discount to a weight-rated PMEI parcel.

RESPONSE:

a. Countries and weight steps included in the PMI to PMEI upgrade:



b. USPS intends to retain the flexibility to change eligibility for receiving the upgrade by destination, depending on the business needs at the time. USPS determined the above weight steps and countries by comparing costs for the three legs of a mailpiece's journey (leg 1, within the U.S., leg 2, overseas transportation, and leg 3 in the destination country) and service performance associated with processing items in both the PMI and PMEI networks for the top 30 countries with the highest outbound volume.

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[REDACTED]

[REDACTED] to that

destination for certain weight steps. The customer will still be given the option to

decline the upgrade, however. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Also, the USPS considered significant differences in service performance between PMI and PMEI as a factor weighing in favor of extending the upgrade to certain destinations.

[REDACTED]

[REDACTED]

[REDACTED]

USPS will continue to monitor eligibility for the upgrade by destination to determine if eligibility for the upgrade should continue. In addition, the Postal Service may add destinations if cost or service factors militate in favor of extending the upgrade upon receipt of new outbound cost data, or further analysis of service.